



Agri-News

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HIGHLIGHTS

December 1 Supply and Demand
Economist Corner, November Prices
2004 Seasonal Progress for Corn & Soybeans
Monthly Grain Marketings

World Grain Supply and Demand Estimates

Coarse Grains: Projected 2004/05 U.S. feed grain ending stocks are raised by 0.7 million tons from last month as smaller exports are partially offset by larger industrial and feed use. Projected corn exports are 50 million bushels lower than last month due to lower global corn imports, increased competition, and the weaker-than-expected pace of corn export sales to date. Projected corn feed and residual is unchanged. Projected use of corn to produce ethanol for fuel is up 55 million bushels but other industrial use of corn is down 30 million bushels, resulting in a net increase of 25 million bushels in total food, seed, and industrial use. Corn stocks rise 25 million bushels. The projected price range is unchanged at \$1.70 to \$2.10 per bushel.

Relative to last month, projected grain sorghum exports decline 25 million bushels due to smaller imports by Mexico and the weaker-than-expected pace of export sales to date. Projected grain sorghum feed and residual rises 20 million bushels but food, seed, and industrial use is unchanged from last month. Grain sorghum ending stocks rise 5 million bushels. The projected price range is lowered by 5 cents on each end to \$1.50 to \$1.90 per bushel.

Global 2004/05 coarse grain supply, use, and stocks projections are up from last month. Global production is a record 989 million tons, up 4 million tons from last month and 9 percent larger than 2003/04. Larger crops are projected for Ukraine (up 1.4 million tons), Canada and Mexico (each up 0.9 million tons), and China (up 0.5 million tons), with smaller increases projected for several other countries. Crop reductions are projected for Russia (down 0.7 million tons) and Australia (down 0.3 million tons). Global consumption is raised 2 million tons, but global trade is down slightly from last month. Reduced imports are projected for Mexico (down 1 million tons), Vietnam, South Africa, and Canada. Larger imports by Libya, China, and Ecuador are partially offsetting. Smaller exports are projected for the United States, Russia, and Australia but larger exports are projected for Ukraine, the EU-25, and several other countries. Global coarse grain stocks rise 3 million tons from last month and are up 23 million tons from last year. Stocks rise in the United States, South Africa (up 0.7 million tons), and Canada (up 0.6 million tons), with smaller increases forecast for many other countries. Stocks decline in Russia, the EU-25, Mexico, and several other countries.

Oilseeds: U.S. oilseed production for 2004/05 is projected at 96.9 million tons, up slightly from last month due to higher cottonseed production. U.S. soybean supply and use projections are unchanged, leaving ending stocks at 460 million bushels. Soybean oil production is increased 165 million pounds based on a higher projected extraction rate. Soybean oil exports and stocks are both raised, reflecting increased availability and lower prices.

The U.S. season-average soybean price range for 2004/05 is projected at \$4.60 to \$5.30 per bushel, compared with \$4.55 to \$5.35 per bushel last month. Soybean oil prices are forecast at 21 to 24 cents per pound, down 0.5 cent on both ends of the range. Soybean meal prices are forecast at \$145 to \$170 per short ton, down 5 dollars on the top end of the range.

Global oilseed production for 2004/05 is projected at 390.5 million tons, up 2 million tons from last month. Increased production of soybeans, cottonseed, peanuts, and rapeseed more than offsets reduced sunflower seed production. China soybean production is forecast at a record 18 million tons, up 0.5 million tons from last month, reflecting higher projected yields. Canada rapeseed production is increased 0.7 million tons to 7.7 million tons, based on official Canadian data. Sunflower seed production is reduced for Ukraine, the EU-25, and Moldova. Other changes include higher cottonseed production for India and Pakistan.

U.S. Corn and Soybean Supply and Demand

Commodity	2002/ 2003	2003/ 2004 (Est.)	2004/05 Projections December
Corn			
Million bushels			
Beginning stocks	1,596	1,087	958
Production	8,967	10,114	11,741
Imports	14	14	15
Supply, total	10,578	11,215	12,714
Feed and residual	5,563	5,783	6,075
Food, seed, & industrial	2,340	2,577	2,795
Domestic, total	7,903	8,360	8,870
Exports	1,588	1,897	2,000
Use, total	9,491	10,257	10,870
Ending stocks, total	1,087	958	1,844
CCC inventory	4	0	1
Free stocks	1,083	958	1,843
Outstanding loans	277	164	350
Avg. farm price (\$/bu.)	2.32	2.42	1.70-2.10
Soybeans			
Million bushels			
Beginning stocks	208	178	112
Production	2,756	2,454	3,150
Imports	5	6	6
Supply, total	2,969	2,638	3,269
Crushings	1,615	1,530	1,645
Exports	1,044	885	1,010
Seed	89	92	89
Residual	41	19	64
Use, total	2,791	2,525	2,808
Ending stocks	178	112	460
Avg. farm price (\$/bu.)	5.53	7.34	4.60-5.30

ECONOMIST CORNER

*Livestock by John Lawrence
and
Grains by Robert Wisner*

Iowa Cooperative Extension Service - Ames

LIVESTOCK

Cattle prices gained some strength in recent weeks and are trading near \$90 in early December. Wet weather in the High Plains hurt performance and reduced average slaughter weights, but they remain near record levels of 2002 and the number of cattle on feed is 3% higher than in 2003. This additional supply will limit market gains but prices are still expected to increase into spring. Typically the highest fed cattle price occurs in April. However, it now appears that Canadian live cattle could enter the U.S. as early as February. This added supply is expected to result in a \$2-4/cwt decrease in U.S. prices, but the short term impact may be larger and volatile while the market adjusts. The current thinking is that Japanese exports may not begin until later in the spring to support prices.

Hog prices remain amazingly strong for this time of the year and the fact that we have record pork production in 2004. Demand is largely responsible for the stronger prices. Prices in the second, third, and fourth quarters of 2004 have been \$12-20/cwt in the meat higher than the year before on nearly identical domestic per capita supplies. The question remains whether we will be able to sustain this level of demand in 2005. Slaughter in recent weeks has declined in part due to tighter supplies, but also due to poor packer margins as plants run less hours. Seasonally, prices are expected to increase into February, but the gains may be limited by reduced packer hours and margins.

GRAIN

Look for a slow rise in corn prices into mid-February, with more significant strength in the spring as farmers shift attention from marketing to fieldwork. But there are caution signs for late February corn prices. Through December 8, the USDA Farm Service Agency reported that farmers had cashed out LDPs on 46% of the 2004 U.S. corn crop. With heavy use of the LDP program, farmers may need to sell more corn to pay late-winter bills than usual. That could cause temporary weakness in prices during the last half of February. Supply-Demand indicators in early December pointed to a potential 15 to 20 cent increase in cash corn prices by early to mid-May. The strength may be tempered by (1) prospects for farmers to shift some soybean acres to corn, especially in the South and (2) disappointing export sales so far this season.

Soybean prices likely will be more volatile than normally would be expected with the large 2004 crop. Price fluctuations 20 to 35 cents above recent levels are quite likely this winter as traders worry about possible Asian rust problems in Brazil and in the U.S. later on. In early December, crops were off to a strong start in Brazil and Argentina, with early plantings, good soil moisture, and normal rainfall. The greatest potential threat to South American crops probably would be excessive rain in northern Brazil. More frequent than normal rains could interfere with spraying for Asian rust, as happened last season. Because Asian rust spreads rapidly, prompt spraying is essential to prevent yield losses.

As the spring planting season approaches, old and new-crop soybean prices may be strengthened by concerns that U.S. farmers will shift bean acres to corn. Uncertainty about Asian rust likely will keep soybean prices volatile into mid to late summer.

Average Prices Received by Farmers for Farm Products

Item	Unit	IOWA			U.S.	
		Nov. ¹	Oct. ¹	Nov. ²	Oct. ¹	Nov. ²
		2003	2004	2004	2004	2004
----- Dollars -----						
Corn	bu	2.15	2.16	1.90	2.15	2.00
Oats	bu	1.83	1.51	1.45	1.45	1.36
Soybeans	bu	7.15	5.62	5.15	5.56	5.31
Alfalfa, Baled	ton	85.00	84.00	84.00	97.80	94.00
All Hay, Baled	ton	81.00	83.00	84.00	89.80	86.20
All Hogs	cwt	34.00	53.10	57.40	52.10	55.30
Sows	cwt	30.40	44.50	48.10	42.40	44.50
Brws & Gilts	cwt	34.00	53.30	57.50	52.60	55.80
Beef Cattle	cwt	99.90	84.60	82.60	86.10	84.20
Cows	cwt	48.30	48.50	45.90	49.90	48.60
Strs & Hfrs	cwt	101.00	85.30	83.30	91.00	89.10
Calves	cwt	99.90	121.00	118.00	126.00	124.00
Milk Cows 3/	hd	--	1,610	--	1,640	--
Milk (whls)	cwt	14.90	16.10	16.50	15.40	15.50
Sheep	cwt	35.80	46.00	--	40.70	--
Lambs	cwt	89.10	88.00	--	98.20	--
Eggs (mkt)	doz	0.873	0.26	0.40	0.303	0.436

¹Corn, oats, soybeans, all hogs, all cattle, all sheep, and milk are whole-month prices. All hay and eggs are mid-month prices. ²All prices are mid-month. ³Prices published January, April, July, and October.

Price Index Summary Table

Prices Received	IOWA			UNITED STATES		
	Nov. 2003	Oct. 2004	Nov. ¹ 2004	Nov. 2003	Oct. 2004	Nov. ¹ 2004
1990-92=100 ²						
Prices rec'd.	88	106	103	116	113	114
Crops	98	98	88	115	110	110
Lvstk Prods.	76	114	117	117	117	118
1910-14=100 ³						
Prices rec'd.	--	--	--	736	720	724
Crops	--	--	--	568	544	543
Lvstk Prods.	--	--	--	895	900	906

¹Preliminary. ²1990-92=100 reference replaced 1977=100 in January 1995. ³Iowa figures for 1910-14=100 base not available.

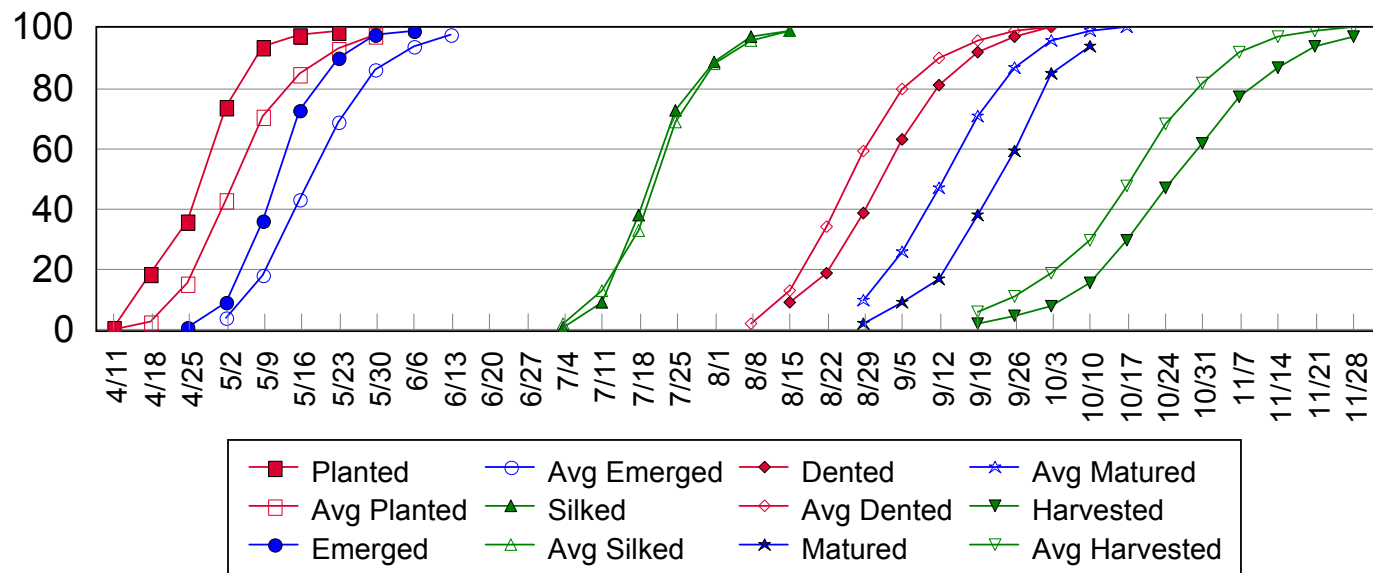
U.S. Prices Paid Index Summary

Prices Paid	1990-92=100			1910-14=100		
	Nov. 2003	Oct. 2004	Nov. 2004	Nov. 2003	Oct. 2004	Nov. 2004
Prices paid ¹	129	135	134	1722	1793	1785
Feed	118	104	97	576	507	474
Ratio ²	90	84	85	46	40	41

¹Prices paid by farmers for commodities and services, interest, taxes, and farm wage rates. ²Ratio of index of prices received to index of prices paid for commodities and services, interest, taxes, and farm wage rates.

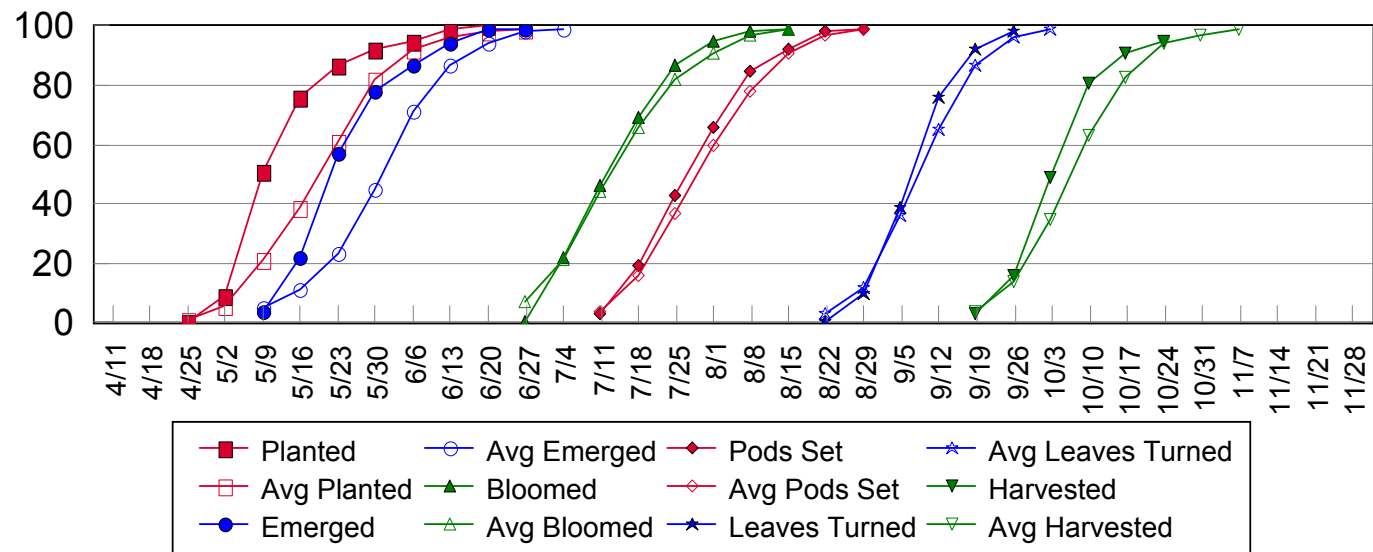
Corn Seasonal Progress 2004

Percent



Soybeans Seasonal Progress 2004

Percent



Charts show percent of crop in or past designated stage.

Avg equals 1999-2003 five-year average.

Monthly Marketings

Throughout the year, Iowa publishes monthly prices for corn, soybeans, oats, and hay. The table below is the percent of each crop marketed throughout the marketing year. These percents are the weights that will be used to establish a market year average price for these commodities.

Iowa Grain Marketings: Percent of Crop Year Total, By Months

Month	All Hay		Oats		Soybeans		Corn	
	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
June	11	11						
July	13	13	49	39				
August	5	5	30	33				
September	7	7	2	7	5	9	6	7
October	5	5	1	3	18	26	14	18
November	16	16			8	5	17	11
December	15	15	1	1	8	6	6	6
January	11	11	4	2	12	13	10	12
February	7	7	6	3	8	7	5	7
March	4	4	2	2	8	9	6	9
April	3	3	2	1	10	7	7	7
May	3	3	2	5	6	3	7	4
June			1	4	5	4	6	6
July					7	7	7	7
August					5	4	9	6

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